

Message Text

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73

ACTION AID-59

INFO OCT-01 EA-11 ADP-00 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 IGA-02 SR-02 ORM-03 IO-13 NSC-10

SS-15 STR-08 CEA-02 L-03 H-03 PA-03 PRS-01 USIA-15

PM-07 RSR-01 /212 W

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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 5570

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E.O. 11652: N/A

TAGS: EFIN VS

SUBJECT: IBRD MISSION

JOINT EMBASSY/AID MESSAGE

PASS TREASURY DEPT.

1. SUMMARY: IBRD MISSION SPENT WEEK IN SAIGON, LEAVING AUGUST 2. TALKS CONCENTRATED ON AREAS WHERE IBRD COULD PROVIDE TECHNICAL ASSISTANCE FOR PROJECT DEVELOPMENT, BUT ALSO COVERED IBRD PLANS TO ORGANIZE PROSPECTIVE DONORS. IBRD TEAM INDICATED DESIRE TO PUT TOGETHER IDA CREDIT FOR BOARD APPROVAL IN EARLY 1974. END SUMMARY

2. IBRD MISSION, AGAIN HEADED BY BLOBEL, SPENT A WEEK IN SAIGON, PRIMARILY TO DETERMINE WHAT TECHNICAL ASSISTANCE PROJECTS WORLD BANK MIGHT ASSUME. MISSION BELIEVES TECHNICAL ASSISTANCE COULD BE USED BY GVN IN SUCH AREAS AS REFUGEE RESETTLEMENT, HIGHWAYS AND OTHER TRANSPORTATION, FINANCIAL INSTITUTIONS, AGRICULTURE AND AGRO-BUSINESS, AND FOR FEASIBILITY
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STUDIES. BANK INTENDS TECHNICAL ASSISTANCE TO BE AIMED AT DEVELOPMENT OF SPECIFIC PROGRAMS AND PROJECTS WHICH WITH SUCH HELP COULD BE PUT IN SHAPE TO BE CONSIDERED FOR FINANCING BY BANK OR OTHER DONORS AND SERVE AS BASE FOR FIRST CONSULTATIVE

GROUP MEETING. PROGRAMS WERE DEFINED IN THIS CONTEXT AS COLLECTION OF NUMBER OF RELATED SMALL PROJECTS IN FIELDS SUCH AS IRRIGATION, SECONDARY ROADS OR RESETTLEMENT SITES. TECHNICAL ASSISTANCE WOULD BE FINANCED BY IDA CREDIT OF ABOUT \$2 MILLION. BLOBEL SAID BANK SWOULD SEND LETTER TO GVN SHORTLY THAT WOULD OUTLINE GENERAL PROPOSALS. BANK WOULD THEN SEND STAFF TEAMS TO VIETNAM STARTING NEXT MONTH, BOTH TO DEVELOP PROJECTS THEM-SELVES AND TO DEVELOP TERMS OF REFERENCES FOR USE OF CONSULTANTS WHO MIGHT BE HIRED FOR SOME SPECIFIC PROJECTS.

3. IN CONVERSATIONS WITH TEAM, WE EXPRESSED OUR WILLINGNESS TO COOPERATE WITH BANK WHEREVER APPROPRIATE. WE ALSO EMPHASIZED OUR VIEW THAT WHILE QUICK START ON DEVELOPMENT OF SHELF OF BANKABLE PROJECTS MOST DESIRABLE, IMMEDIATE BALANCE OF PAYMENTS ASSISTANCE NEEDED NOW TO PREVENT FURTHER REDUCTION IN LEVELS OF EMPLOYMENT AND OUTPUT. IN THAT CONTEXT WE URGED BANK SUGGEST TO POTENTIAL DONORS DESIRABILITY OF PIASTER PURCHASES FOR FINANCING GVN LOCAL CURRENCY PROJECTS IDENTIFIED FOR FINANCING FROM GVN RECONSTRUCTION, REHABILITATION AND DEVELOPMENT FUND.

THE BANK ASKED SPECIFICALLY IF USAID COULD PROVIDE TECHNICAL ASSISTANCE TO THE GVN TO HELP DEVELOP PROJECTS FOR INTERNATIONAL FINANCING ON RESETTLEMENT AND ON HIGHWAYS. WE AGREED TO PROVIDE SUCH HELP. BANK TEAM WANTS TO PUT TOGETHER AN IDA LOAN PROPOSAL BY EARLY 1974 THAT WOULD DISBURSE QUICKLY. THEY ARE THINKING OF SOME SORT OF COMMODITY IMPORT PROJECT OR LOCAL COST FINANCING OF A SERIES OF RESETTLEMENT SITES. WE BELIEVE IT MOST LIKELY THAT THEY WILL OPT FOR A REFUGEE RESETTLEMENT PROJECT. THEY HELD EXTENSIVE DISCUSSIONS WITH OUR REFUGEE STAFF ON RETURN TO VILLAGE AND RESETTLEMENT ACTIVITIES. WE STRONGLY ENDORSED THEIR THOUGHTS ON AN EARLY IDA LOAN AND FAVORED A PROJECT THAT WOULD BE RELATIVELY SIMPLE TO DEVELOP AND WOULD RESULT IN FAIRLY RAPID DISBURSEMENTS. EITHER A COMMODITY SUPPORT PROJECT OR A RESETTLEMENT PROJCT WOULD SEEM TO MEET THESE CRITERIA.

5. RE MEETING OF PROSPECTIVE DONORS, BANK TEAM SAID CURRENT PLAN WAS TO HOLD SEPARATE DISCUSSIONS WITH PROSPECTIVE DONORS DURING LIMITED OFFICIAL USE
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BANK/FUND MEETING IN NAIROBI. THEY THEN HOPED THAT PRELIMINARY MEETING COULD TAKE PLACE IN OCTOBER. PURPOSE OF THIS SESSION WOULD BE TO DISCUSS HOW TO APPROACH QUESTION OF AID TO INDOCHINA, AND NOT TO DEAL WITH QUESTION OF AID AMOUNTS, ETC. SHOULD THIS MEETING BE SUCCESSFUL, A LATER SUBSTANTIVE MEETING WOULD BE ARRANGED. PRECEDING THIS BY THREEMONTHS, AN ECONOMIC MISSION WOULD BE SENT TO VIETNAM TO WRITE A THORUGH REPORT WHICH WOULD, INTER ALIA, DEAL WITH AID REQUIREMENTS, TERMS, AND PROGRAMS. GVN WANTS TO HAVE THIS MEETING BY JUNE 1974. IN RESPONSE TO QUESTION AS TO WHAT GVN SHOULD DO TO PREPARE FOR THIS MEETING AND CONSULTATIVE GROUP, BANK TEAM SAID TO ADOPT LOW-KEY APPROACH AND AWAIT BANK'S ADVICE. GVN SHOULD NOT,

THEY SAID, SEND OUT SPECIAL DELEGATIONS OR INITIATE ANY SPECIAL ACTIONS, BUT DISCUSS MATTERS GENERALLY WITH POTENTIAL DONORS THROUGH NORMAL DIPLOMATIC CHANNELS.

6. GVN HELD SESSION WITH BANK TEAM ON AUGUST 1, TO WHICH ASIAN DEVELOPMENT BANK TEAM, UNDP REP. AND WE WERE INVITED. MOST OF ABOVE POINTS COVERED IN THIS SESSION. IN ADDITION, UNDP REP. NOTED UN'S INTENTION TO RUN A SUBSTANTIAL TECHNICAL ASSISTANCE PROGRAM AMOUNTING TO \$2 MILLION A YEAR FOR FIVE YEARS. ADB REPS. SAID THEY HOPED TO BE ABLE TO COMMIT BETWEEN \$20 AND \$30 MILLION IN LOANS DURING CURRENT YEAR AND UNDERTAKE EXPANDED TECHNICAL ASSISTANCE PROGRAM FOR PURPOSE OF DEVELOPING ADDITIONAL BANKABLE PROJECTS. LATTER MIGHT, THEY SUGGESTED, BE FINANCED BY SPECIAL FUNDS LOAN.

7. ADB REP., EXPRESSED SOME BUREAUCRATIC CONCERN PRIVATELY THAT IBRD WAS TAKING OVER WHAT WAS SUPPOSED TO BE A PARTNERSHIP BETWEEN THE TWO INSTITUTIONS. HE NOTED THAT IT HAD BEEN AGREED IBRD WOULD MAKE APPROACHES TO INTERESTED COUNTRIES BUT THAT THEY SEEMED TO BE TAKING MORE OF A LEAD IN THE TALKS WITH GVN, AT LEAST, THAN EARLIER HAD BEEN EXPECTED.

8. WE WERE DISAPPOINTED AT THE TONE OF THE IBRD'S REPORT TO ITS MANAGEMENT FOLLOWING MISSION'S FIRST TRIP AND DISAGREE WITH SOME OF THE SUBSTANCE, PARTICULARLY THE REMARK THAT INCREASED PRODUCTION IS PRACTICALLY IMPOSSIBLE UNLESS THERE IS DEMOBILIZATION. WE BELIEVE THE ADB IS MUCH MORE VIGOROUS IN DEVELOPING CONCRETE PROPOSALS AND IS MORE POSITIVE REGARDING VIETNAM'S DEVELOPMENT POTENTIAL EVEN UNDER PRESENT CONDITIONS. WE WOULD HOPE THAT
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ADB'S VIEWS WOULD RECEIVE AT LEAST AS MUCH ATTENTION BY PROSPECTIVE DONORS AS THOSE OF IBRD. WE DO UNDERSTAND IBRD REPORT WILL BE MODIFIED BEFORE DISTRIBUTION TO THE BOARD.

9. WE DISCUSSED PRIVATELY WITH IBRD POSSIBILITY OF THEIR TAKING OVER PLANNED USAID PROJECT, WITH AID FINANCING, TO PROVIDE HIGH LEVEL ECONOMIC ADVISORY TEAM TO WORK WITH MINISTRY OF PLANNING AND STAFF OF RECONSTRUCTION COUNCIL. BANK MEMBERS HERE REACTED FAVORABLY THIS IDEA, WHICH WILL BE SUBJECT SEPTEL.
DECON. 8/6/75.
MARTIN

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